California Public Utilities Commission

Energy Division

Audit Report - Supplement

San Diego Gas & Electric Company

Interruptible Load & Rotating Outage Programs
Memorandum Account
For Years 2001, 2002, and 2003

Prepared by Fred E. Tamse June 30, 2005

I. Executive Summary - Supplement

On May 20, 2005, Energy Division submitted audit reports on the Interruptible Load Management Program (ILMP) Memorandum Accounts (ILPMA) of Pacific Gas & Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E). Administrative Law Judge Gottstein issued a ruling soliciting comments on the audit reports.

On June 7, 2005, ALJ Gottstein issued a ruling soliciting comments on Energy Division's audit of ILPMA of PG&E, SCE, and SDG&E (Utilities). Parties were directed to file their comments on June 15, 2005, with reply comments due on June 29, 2005.

The Utilities commented on the audit findings and recommendations of the Energy Division's (ED) auditor on June 15, 2005.

SDG&E submitted its comments disagreeing with the auditor's recommendation to disallow the Incentive Compensation Plan (ICP) costs for years 2001, 2002, and 2003 amounting to \$126,986.

The Energy Division auditor disallowed \$126,986 of ICP costs relating to years 2001 (\$18,581), 2002 (\$80,253), and 2003 (\$28,152). The disallowance was recommended based on the Commission Decision D.04-12-015 regarding SDG&E's Cost of Service (CS) - TY2004 application whereby the Commission disallowed \$18.086 million or 50% of SDG&E's forecasted ICP costs. The ED auditor compared CS TY2004 basis (i.e., years 2001 recorded costs, and escalated 2002-2003 costs) with the Commission decision for CS TY2004. Because SDG&E's TY2004 CS decision disallowed 50% of ICP costs (i.e., a 50% overstatement of ICP costs amounting to \$18.086 million), the bases of TY2004 ICP forecast and the audited ILROPMA years (i.e., years 2001-2003) were therefore overstated.

SDG&E disagreed with the Energy Division auditor's methodology stating that:

"...the appropriate comparison would have been recorded 2001-2003 costs against the amounts that were authorized in D.98-12-038 (SDG&E 1999 Cost of Service). Because the Commission did not order utilities to establish the new programs [ILMP] until 2001, the program costs including ICP would have not been anticipated during the preparation of the 1999 Cost of Service filing and, therefore, not included in the revenue requirements adopted for the years 1999 through 2003."

Energy Division accepts SDG&E's comment. SDG&E should be allowed \$126,986 ICP costs for years 2001, 2002, and 2003. Therefore, the Commission should allow SDG&E recovery of its ILMP incremental costs totaling \$1,692,212 (net of adjustments) for years 2001 through 2003.

The Energy Division auditor originally recognized that the \$126,986 ICP costs for 2001, 2002, and 2003 were already included in the \$18.086 million disallowance made by the Commission in D.04-12-015. However, after further review of SDG&E's ICP costs for years 2001, 2002, and 2003, the Energy Division auditor is recommending that the \$126,986 ICP costs previously disallowed should be allowed [Refer to SDG&E ILROPMA Audit Report dated May 20, 2005 pages 3 of 15, and 11 and 12 of 15]. SDG&E's comments were considered and found to be valid and acceptable.

Therefore, SDG&E should be allowed to recover the incremental costs recorded in their ILROPMA for years 2001, 2002, and 2003 amounting to **\$1,692,212**, net of audit adjustments. Refer to Appendix A – Supplement, Page 4 of 4, and Exhibit I-1 below.

This audit supplement reverses the ICP disallowance originally recommended in the SDG&E ILROPMA Audit Report dated May 20, 2005. All other items and audit adjustments except for the ICP costs issue remain the same.

SDG&E's total recovery request as recorded in its ILROPMA for the years 2001-2003 was \$1,734,900 reduced by audit adjustments of \$42,688. Audit adjustments relate to differences in interest computation and accounting of incremental costs erroneously recorded in ILROPMA. [See ILROPMA Audit Report dated May 20, 2005 pages 10 & 13 of 15].

Appendix D in the May 20, 2005 ILROPMA Audit Report is now replaced by Appendix A – Supplement in this ILROPMA Audit Report Supplement. Total incremental costs allowed to be recovered as shown in Appendix A – Supplement, Page 4 of 4, is \$1,692,212.

Exhibit I-1: SDG&E should be allowed to recover \$1,692,212 ILMP incremental costs incurred in 2001, 2002, and 2003 (In Dollars)

	2001	2002	2003	Total
Per SDG&E (Note 1)	\$467,138	\$781,847	\$485,915	\$1,734,900
Audit Adjustments				
(Note 2)	33,781	(75,729)	(740)	(42,688)
	•	•	.	•
Recovery Allowed	\$500,919	\$706,118	\$485,175	\$1,692,212

Note 1: SDG&E recovery requests were filed in their AEAP for 2002, 2003, and 2004.

Note 2: Audit Adjustments are in Appendix - A Supplement.

APPENDIX – A (Supplement)

		Page
Α.	Total Incremental Costs	1

	Incremental Costs per Detailed Report			
	2001	2002	2003	Total
Rolling Blackout Reduction Program	0	440.057	CE 0E4	404 500
Labor Non-labor:	0	118,657	65,851	184,508
Materials	260,866	6,251	1,002	268,119
Services	56,896	82,138	16,850	155,884
Miscellaneous	0	02,100	0	0
Telephone	6,515	1,933	8,246	16,694
Accounting Adjustments	2,2 . 2	(218,289)	5,741	(212,548)
Vehicle	4,048	8	0	4,056
Total Non Labor	328,325	(127,959)	31,839	232,205
Employee Benefits	0	1,026	7	1,033
Overhead	6,848	102,175	47,098	156,121
Total	335,173	93,899	144,795	573,867
Development of Labor to Total Ingramental Costs	0.00%	126.37%	45.48%	32.15%
Percentage of Labor to Total Incremental Costs Percentage of Labor & Overhead to Total Incremental Costs	2.04%	235.18%	78.01%	59.36%
Percentage of Non-Labor to Total Incremental Costs	97.96%	-136.27%	21.99%	40.46%
refeemage of Nor-Labor to Total melemental costs	37.3070	-130.27 /0	21.3370	70.70/0
Demand Bidding Program Account				
Labor	0	119,038	34,973	154,011
Non-labor:				
Materials	0	17,087	228	17,315
Services	0	159,894	17,660	177,554
Miscellaneous	0	61,670	0	61,670
Telephone	0	0	0	0
Accounting Adjustments	0	19,808	(42,901)	(23,093)
Vehicle	0	0	(05.040)	0
Total Non Labor	0	258,459	(25,013)	233,446
Employee Benefits Overhead	0	1,690 73,617	832 27,292	2,522
Total	0	452,804	38,084	100,909 490,888
rotai		+0Z,00+	30,004	+30,000
Percentage of Labor to Total Incremental Costs		26.29%	91.83%	31.37%
Percentage of Labor & Overhead to Total Incremental Costs		42.55%	163.49%	51.93%
Percentage of Non-Labor to Total Incremental Costs		57.08%	-65.68%	47.56%
AL OLD BY TO OLD BUILDING				
Air Conditioning Cycling Program	20.261	E 000	0	26 144
Labor Non Johan	20,261	5,883	0	26,144
Non-labor: Materials	0	0	0	0
Services	45,907	619	0	46,526
Miscellaneous	40,507	0	0	0
Telephone	0	0	0	0
Accounting Adjustments	0	0	0	0
Vehicle	4	(2)	0	2
Total Non Labor	45,911	617	0	46,528
Employee Benefits	889	(263)	0	626
Overhead	13,231	4,070	0	17,301
Total	80,292	10,307	0	90,599
B. A. C. L. A. T. H. M. C. C.	05.000	F7 000'		00.000
Percentage of Labor to Total Incremental Costs	25.23%	57.08%		28.86%
Percentage of Labor & Overhead to Total Incremental Costs	41.71%	96.57%		47.95% 51.26%
Percentage of Non-Labor to Total Incremental Costs	57.18%	5.99%		51.36%

		Incremental Costs per Detailed Report			
Autor		2001	2002	2003	Total
Labor Non-labor: Materials 0					
Non-labor: Materials 0 960 64 1,024 Services 0 11,190 10,498 21,688 Miscellaneous 0 0 0 0 0 0 0 0 0		4.500	40.540	F 400	00.000
Materials		4,586	16,542	5,480	26,608
Services		0	960	64	1 02/
Miscellaneous				_	
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Percentage of Labor to Total Incremental Costs Same and Same a				0	0
Percentage of Labor to Total Incremental Costs Same and Same a	Total Non Labor	0	12,150	10,562	22,712
Percentage of Labor to Total Incremental Costs	Employee Benefits	0			
Percentage of Labor to Total Incremental Costs		3,760	10,062	3,606	17,428
Percentage of Labor & Overhead to Total Incremental Costs Do. 0.00% Sa. 5.7% 48. 2.4% Sa. 5.3% Percentage of Non-Labor to Total Incremental Costs Do. 0.00% Sa. 1.31% Sa. 7.6% Sa. 34. 0.0% Sa. 5.0%	Total	8,346	38,800	19,648	
Percentage of Labor & Overhead to Total Incremental Costs Do. 0.00% Sa. 5.7% 48. 2.4% Sa. 5.3% Percentage of Non-Labor to Total Incremental Costs Do. 0.00% Sa. 1.31% Sa. 7.6% Sa. 34. 0.0% Sa. 5.0%					
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Percentage of Labor & Overhead to Total Incremental Costs 98.91% 75.35% 58.26% 70.63%	Percentage of Labor to Total Incremental Costs	75.92%	46.60%	35.21%	44.12%

Temperature Sensitive Labor 0 9,621 14,463 24,000 Non-labor: 0 54 10,208 10,000 10,208 10,000 10,208 10,000 10,208 10,000 10,208 10,000 11,177 0 11,000 11,177 0 11,000 11,177 0 11,000 11,177 0 11,000 11,000 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 11 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 10 <t< th=""></t<>
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Materials 0 54 10,208 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 11,508 10,508 11,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 10,508 <
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Miscellaneous 0 9 0 Telephone 0 0 0 Accounting Adjustments 0 0 0 Vehicle 0 0 0 Total Non Labor 0 11,240 10,208 21, Employee Benefits 0 39 0 Overhead 0 6,164 11,396 17, Total 0 27,064 36,067 63, Percentage of Labor to Total Incremental Costs 35.55% 40.10% 38. Percentage of Labor & Overhead to Total Incremental Costs 58.32% 71.70% 65.9 Percentage of Non-Labor to Total Incremental Costs 41.53% 28.30% 33.9
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Total Non Labor 0 11,240 10,208 21, Employee Benefits 0 39 0 Overhead 0 6,164 11,396 17, Total 0 27,064 36,067 63, Percentage of Labor to Total Incremental Costs 35.55% 40.10% 38. Percentage of Labor & Overhead to Total Incremental Costs 58.32% 71.70% 65.9 Percentage of Non-Labor to Total Incremental Costs 41.53% 28.30% 33.9
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Percentage of Labor & Overhead to Total Incremental Costs Percentage of Non-Labor to Total Incremental Costs 58.32% 71.70% 65.9 28.30% 33.9
Percentage of Non-Labor to Total Incremental Costs 41.53% 28.30% 33.5
Voluntary Demand Response Program
Labor 34,192 727 0 34,
Non-labor:
Materials 0 0 0
Services 0 0 0
Miscellaneous 0 0 0
Telephone 0 0 0
Accounting Adjustments 0 (47,181) 0 (47,
Vehicle 0 0 0
Total Non Labor 0 (47,181) 0 (47,
Employee Benefits 378 0 0
Overhead 19,809 465 0 20,7
Total 54,379 (45,989) 0 8,5
Percentage of Labor to Total Incremental Costs 62.88% -1.58% 416.
Percentage of Labor & Overhead to Total Incremental Costs 99.30% -2.59% 657.
Percentage of Non-Labor to Total Incremental Costs 0.00% 102.59% -562.3

			Incremental Costs per Detailed Report			
			2001	2002	2003	Total
						_
Grand Total						
Labor			72,172	303,477	134,209	509,858
Non-labor:						
Materials			260,866	26,065	11,502	298,433
Services			103,088	278,078	63,432	444,598
Miscellaneous			0	61,679	0	61,679
Telephone			6,515	1,933	8,246	16,694
Accounting Adjustments			0	(245,662)	(37,160)	(282,822)
Vehicle			4,052	6	0	4,058
Total Non Labor			374,521	122,099	46,020	542,640
Employee Benefits			1,512	3,084	839	5,435
Overhead			50,355	216,902	98,447	365,704
Total			498,560	645,562	279,515	1,423,637
Percentage of Labor to Total Incremental Costs			14.48%	47.01%	48.01%	35.81%
Percentage of Labor & Overhead to Total Increme			24.58%	80.61%	83.24%	61.50%
Percentage of Non-Labor to Total Incremental Co	sts		75.12%	18.91%	16.46%	38.12%
			_			
Rev. Requirements - Circuit Reconfiguration			0	32,251	132,438	164,689
Rev. Requirements - Rotating Outage			0	56,818	56,985	113,803
Interest - 2001			2,475			2,475
Interest - 2002				13,324		13,324
Interest - 2003					17,023	17,023
			2,475	102,393	206,446	311,314
T () ODOOF II DODINA D () I I I I I I I I I I I I I I I I I I			504.005	7.47.055	405.004	4 70 4 05 4
Total SDG&E ILROPMA Detail plus Interest & F	kev. Require	ments	501,035	747,955	485,961	1,734,951
Less: Audit Adjustments			_	_	_	
ICP costs to be disallowed			0	0	0	0
RBRP - costs inadvertently included in						
ILROPMA. SDG&E will make necessary				(()		(()
adjustments.				(39,153)		(39,153)
Total Adjustments before interest adjustments			0	(39,153)	0	(39,153)
Interests Adjustments:	SDG&E	CPUC				
2001 in 2001 Total 2001	2,475	2,359	(116)			(116)
2001 in 2002		8,714				
2002 in 2002	13,324	1,926	•	(1)		(= == t)
Total 2002	13,324	10,640	•	(2,684)		(2,684)
2001 in 2003		5,814				
2002 in 2003		7,957				
2003 in 2003	17,023	2,466	•			
Total 2003	17,023	16,237		(= = = :)	(786)	(786)
	32,822	29,236	(116)	(2,684)	(786)	(3,586)
Total Audit Adjustments			(116)	(41,837)	(786)	(42,739)
Adjusted Incremental Costs - to be Allowed			500,919	706,118	485,175	1,692,212
SDG&E AEAP Recovery Requests			467,138	781,847	485,915	1,734,900
Total Difference between AEAP and CPUC			33,781	(75,729)	(740)	(42,688)